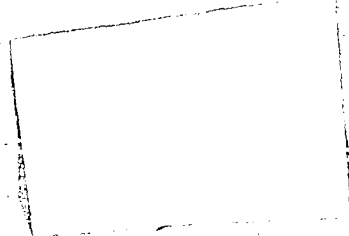
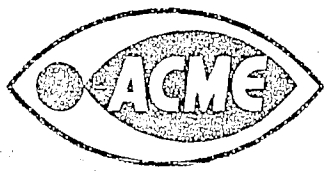
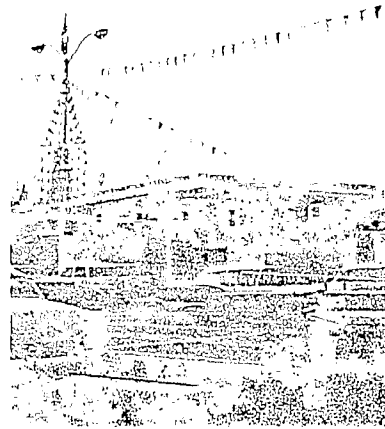
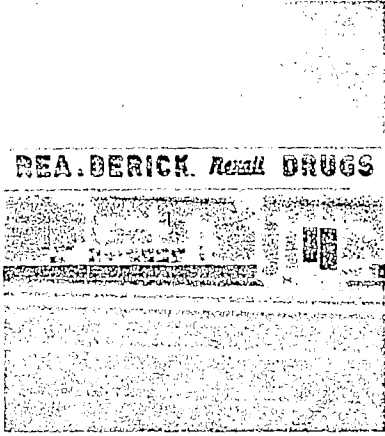
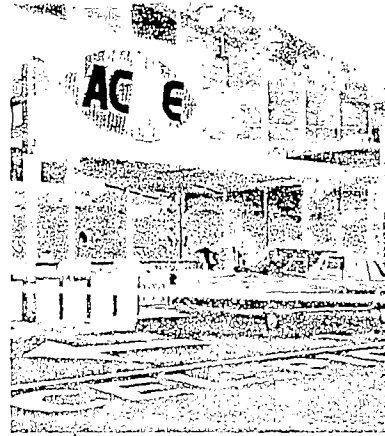


*Am*



# ACME MARKETS, INC.



FISCAL YEAR ENDED APRIL 1,

# 1967 ANNUAL REPORT

JAMES K. ROBINSON, JR.  
THOMAS H. SHERRARD  
JOHN R. PARK  
WILFRED D. GILLEN  
PAUL J. CUPP  
A. J. FAULHABER  
ARTHUR LITTLETON  
ARTHUR C. KAUFMANN  
A. KOHR SPRENKLE  
CLAUDE W. EDWARDS  
WILLIS J. WINN  
A. E. GILFILLAN

PAUL J. CUPP, Chairman, Board of Directors  
JOHN R. PARK, President  
JAMES K. ROBINSON, JR., Vice President  
A. J. FAULHABER, Vice President  
A. KOHR SPRENKLE, Vice President  
BLAYNEY J. BARTON, Vice President  
WM. CARLISLE FERGUSON, Vice President  
CLAUDE W. EDWARDS, Vice President  
GORDON E. HOVEY, Vice President  
A. E. GILFILLAN, Vice President and Assistant Secretary  
JAMES A. HAMILL, Vice President  
THOMAS T. OYLER, Vice President and Treasurer  
S. A. GOULD, Assistant to the President  
E. A. COLSON, Secretary  
A. BALFOUR BREHMAN, Assistant Secretary  
ROWLAND G. WEBER, Assistant Secretary  
ELLEN M. CAMPBELL, Assistant Treasurer  
JOHN G. C. FULLER, Assistant Treasurer

#### GENERAL OFFICES

124 North 15th Street, Philadelphia, Pa. 19102

#### TRANSFER AGENTS

The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.  
Bankers Trust Company, New York, N. Y.

#### REGISTRARS

The Fidelity Bank, Philadelphia, Pa.  
First National City Bank, New York, N. Y.

#### STOCK EXCHANGES

New York Stock Exchange  
Philadelphia-Baltimore-Washington Stock Exchange

• ANNUAL MEETING The annual meeting of stockholders will be held in the Burgundy Room of The Bellevue-Stratford Hotel, Broad and Walnut Streets, Philadelphia, Pa. on Wednesday, June 28, 1967 at 3 o'clock P.M. (E.D.S.T.).

Philadelphia, Pa.  
May 23, 1967

**S**ales for the 52 weeks ended April 1, 1967, totaled \$1,253,747,618. This represents a gain over the preceding year of \$52,997,796.

Earnings did not keep pace, and are reported at \$3.21 per share on the average number of shares outstanding compared to \$3.55 per share adjusted for the last stock dividend.

Both sales and earnings showed marked improvement in the first 26 weeks of the year compared to the same period of the prior year. Shortly after the start of the second half of the year, however, there was a change in consumer attitude. Retailers generally, including the retail food industry, found customers had become cautious and were curtailing their normal spending. The number of uncertainties present in the economy prompted many customers to examine all their expenditures carefully. The food budget, being one that is reviewed every week, received major attention. Housewives selected supermarkets as a convenient target for their protests against the increased cost of living. Unfortunately, their action was not directed at the real cause. Inflation is the culprit. Increasing costs at every step of the way starting with those paid by the farmer are bound to be reflected in the retail price of food.

Competitive efforts to maintain sales brought a lowering of prices and an increase in promotional efforts. With sales lagging, this naturally had an adverse effect on earnings. The impact was further compounded by continued upward pressure on costs. Increases in wage rates, employee benefits, rental and operating charges, and Social Security taxes were some of the areas of cost pressures affecting every facet of our business.

Faced with price increases from our suppliers, we made diligent efforts to control our expenses and, at the same time, increase our efficiency while trying to keep our prices low. In many instances price increases were absorbed wholly or in part.

In spite of these actions it seemed to be difficult to explain the fact to the consumer that food is really a bargain. In the final quarter of 1966, the average family spent slightly less than 18% of its disposable income for food. This is an all time low—contrasted to about 25% in the 1947-49 era and down from 20% as recently as 1960. Not only does the average family spend less of its

disposable income for food today, it receives a much greater value because many foods are now processed in such a way that the time, effort, and expense of home preparation has been reduced.

The period ahead presents challenges. Prices for the goods and services we buy will undoubtedly be higher. The mood of the consumer is still cautious. Competition will continue to be intense. It will take a good merchant to maintain profit ratios. Fortunately, Acme has demonstrated an ability to do well in periods of economic stress. We are confident that we can do it again.

We have been able to continue our store building program at a good pace and we are continuing our practice of obtaining sites to keep in step with growth and shifts in population. Our processing facilities and distribution centers are up to date. Training and development programs now range from specific job training to broad management development seminars. Recruitment continues strong. High schools, colleges, and graduate schools have been the sources of a number of fine new additions to our team.

Recognizing the vital role that our real estate program plays in the future of our Company, we realigned our management team to give us an even greater ability to initiate and develop real estate opportunities. James K. Robinson Jr., who has had the overall responsibility for both the Real Estate Department and the warehousing and transportation function of our Company for 14 years, will now give his undivided attention to our real estate program. John St. John, a member of our Engineering Department for the last 7 years, has been appointed General Manager of Distribution Services. He will direct our effort to take advantage of all the opportunities available to us in the warehouse and transportation functions.

Improved facilities and equipment, and expense control and improved productivity programs will result in more efficient operations. Intensive sales promotion plans now underway, geared to our low price structure, are designed to present a strong customer appeal. We have confidence that the more than 28,000 able, loyal, and dedicated men and women who are Acme will work together to achieve increased sales and improved earnings in the coming year.

*Respectfully submitted*

*Chairman, Board of Directors*

*President*

## The Year in Review

**Sales** Sales increased 4.4% over those of the previous year. Sales for the 52 weeks ended April 1, 1967, totaled \$1,253,747,618 compared with \$1,200,749,822 for the year ended April 2, 1966.

Consumer reaction to the increasing cost of living was focussed upon the food retailer in the second half of the year. Not only was there organized resistance, there was also a certain "wariness" on the part of many shoppers.

Recent sales trends are at about the same level as the comparable period last year. A program with strong customer appeal has been initiated to improve the Company's sales position. The Department of Labor Price Index of Food Consumed At Home has eased slightly and some meats, eggs, and citrus products are among the commodities now available at prices considerably below those of last year.

**Earnings** Earnings for the fiscal year declined to \$3.21 per share compared with \$3.55 the prior year, adjusted for the 5% stock dividend paid March 31, 1967. Net earnings after taxes were \$9,367,342 compared with \$10,450,144 the previous year.

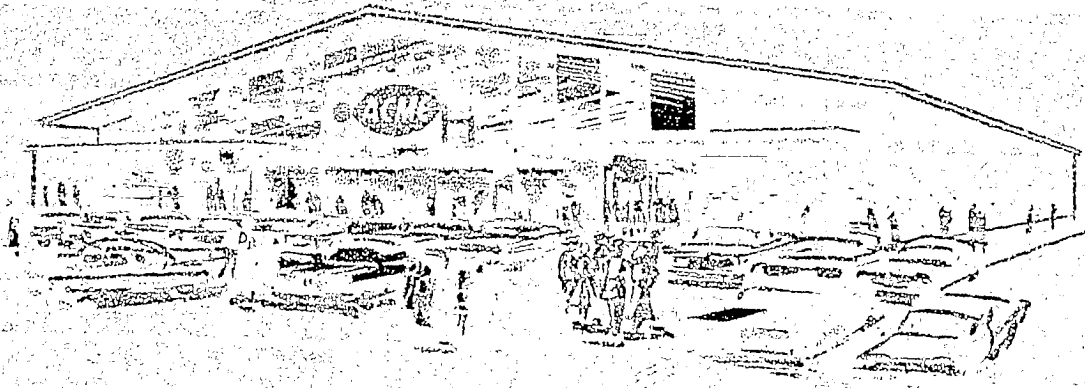
Lower priced programs and increased promotional efforts in the face of higher costs and intense competition reduced earnings in the second half of the year. In addition, a three-week work stoppage during November at the distribution center in the 55-store Syracuse New York Division had an adverse effect on sales and earnings.

**Dividends** Total cash dividends paid by the Company again increased and were \$5,563,760 compared with \$5,347,883 the previous year.

A 5% stock dividend was paid on March 31, 1967. This was the fourteenth consecutive annual 5% stock dividend of the Company and involved the issuance of 143,144 shares valued at \$5,868,904.

**Financial Position** Working Capital at the year end was \$57,364,180, down from \$72,429,212 a year ago. Contributing to this reduction, as is shown by the Source of the Disposition of Funds Statement on page 8, were the maturing long term notes, continued heavy expenditure for plant and equipment, and the purchase of shares of the Company's outstanding stock which is currently held as treasury stock. Final payment of \$10,375,000 on long term notes due August 1, 1967, will be financed by short term borrowing.

The \$23,388,695 capital expenditure while down from the record \$26,129,410 of the previous year is still substantially ahead of other years. The increased number of store openings and improve-



## Ten Year Statistical Summary



All dollar amounts are expressed in thousands, except per share and per sales dollar figures.

52 WEEKS ENDED	April 1, 1967	April 2, 1966	April 3, 1965 <sup>(a)</sup>	March 28, 1964	March 30, 1963	March 31, 1962	April 1, 1961	April 2, 1960 <sup>(a)</sup>	March 28, 1959	March 29, 1958
Sales .....	\$1,253,748	1,200,750	1,151,198	1,118,686	1,031,061	1,034,879	1,011,489	982,103	953,410	900,526
Earnings before income taxes .....	16,467	13,685	24,314	28,120	27,091	28,230	27,543	22,467	25,324	23,632
Federal and State income taxes .....	7,100	8,235	11,430	14,530	14,030	14,900	14,870	11,710	13,291	12,295
Net earnings .....	9,367	10,450	12,884	13,590	13,061	13,330	12,673	10,757	12,033	11,336
Cash dividends .....	5,564	5,348	5,127	4,924	4,680	4,439	4,377	4,534	3,857	3,959
Earnings for year retained in business .....	3,803	5,102	7,757	8,666	8,381	8,891	8,296	6,223	8,176	7,337
Net earnings per sales dollar .....	0.75¢	0.87¢	1.11¢	1.21¢	1.21¢	1.29¢	1.25¢	1.10¢	1.26¢	1.26¢
Earnings per share of common stock <sup>(b)</sup> .....	3.21	3.55	4.34	4.54	4.37	4.47	4.27	3.65	4.10	3.89
Cash dividends per share of common stock <sup>(c)</sup> .....	1.90	1.81	1.72	1.64	1.55	1.49	1.44	1.46	1.23	1.34
Stock dividends .....	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Current assets .....	135,496	144,160	140,200	140,522	141,413	124,535	117,155	112,003	105,169	101,572
Current liabilities .....	79,134	71,679	63,901	62,267	56,896	56,683	51,614	49,283	42,958	43,119
Working capital .....	57,364	72,429	76,299	78,266	75,017	68,156	65,561	62,723	63,211	57,993
Current ratio .....	1.72	2.01	2.19	2.26	2.33	2.20	2.27	2.27	2.47	2.32
Plant and equipment additions .....	23,389	26,129	20,085	17,590	13,505	15,752	10,129	15,607	13,207	10,311
Provision for depreciation and amortization .....	13,650	12,744	11,834	10,843	10,464	9,694	9,032	8,768	8,203	7,095
Net plant and equipment .....	113,843	110,371	97,881	89,676	83,022	80,719	76,736	76,401	69,417	66,041
Total assets .....	257,860	257,357	240,461	232,968	217,327	209,064	196,069	190,855	178,996	171,387
Long-term debt, less current installments .....	5,106	15,658	11,737	12,910	14,060	16,801	18,378	21,193	23,120	23,422
Common shares outstanding at year-end .....	2,914,205	2,799,845	2,680,992	2,588,208	2,459,730	2,334,129	2,214,349	2,097,369	1,985,080	1,897,050
Common stockholders' equity:										
Total .....	161,180	158,479	154,263	148,947	140,096	131,481	122,338	113,814	107,319	98,897
Per share <sup>(d)</sup> .....	55.31	53.90	52.19	49.71	45.86	44.13	41.22	38.57	36.53	33.84
Number of retail stores at year-end:										
Super markets .....	820	841	857	859	836	811	799	812	809	818
Other stores .....	67	61	72	24	26	34	41	50	65	75
Total stores .....	887	902	929	883	862	845	840	862	874	893

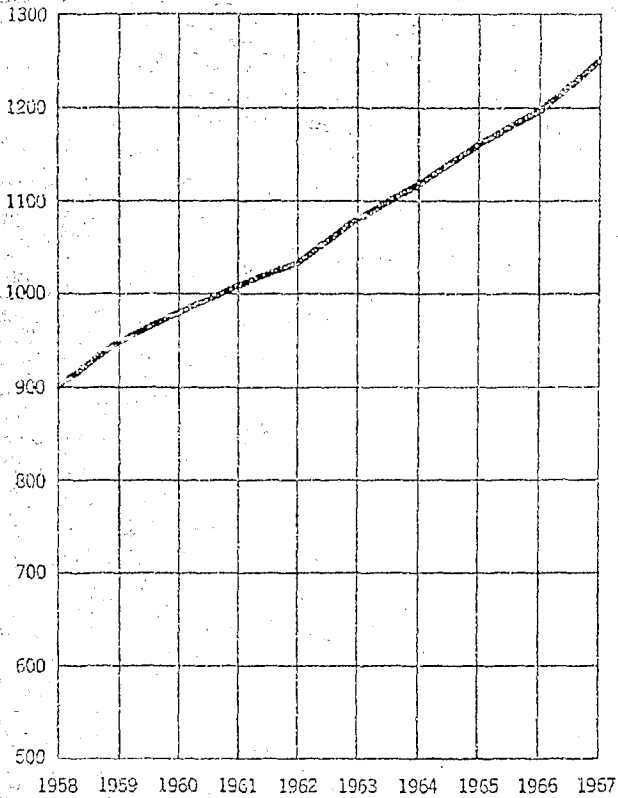
(a) 53 week period.

(b) Based on weighted average number of shares outstanding during the period, adjusted for subsequent stock dividends.

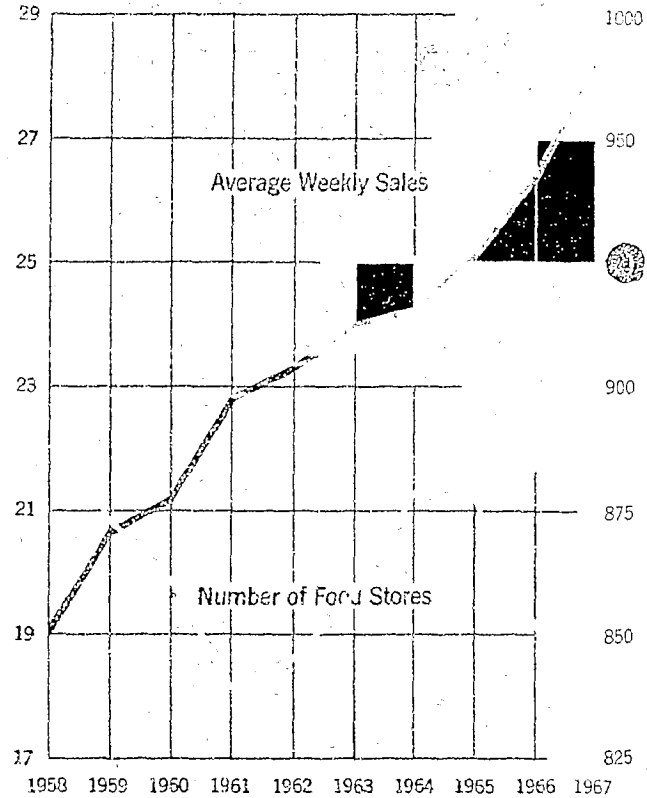
(c) In each of the ten years cash dividends were declared on shares of Acme Markets, Inc. common stock then outstanding at the rate of \$2.00 per share. As computed above, per share cash dividends have been adjusted for subsequent stock dividends. For fiscal years 1958-1961 amounts include dividends paid by an acquired company prior to merger (which in fiscal 1960 included five quarterly dividends).

(d) Based on number of shares of stock outstanding at year-end, adjusted for subsequent stock dividends.

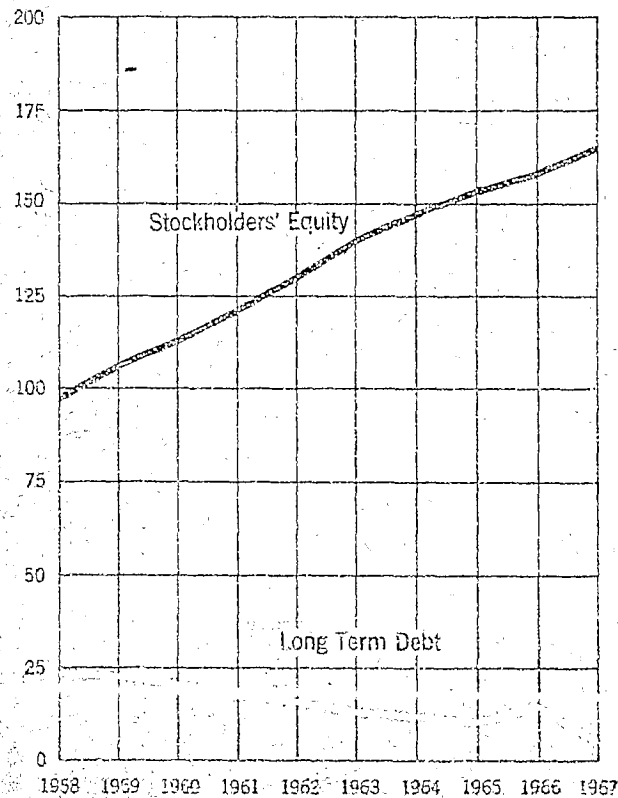
**Sales**  
MILLIONS OF DOLLARS



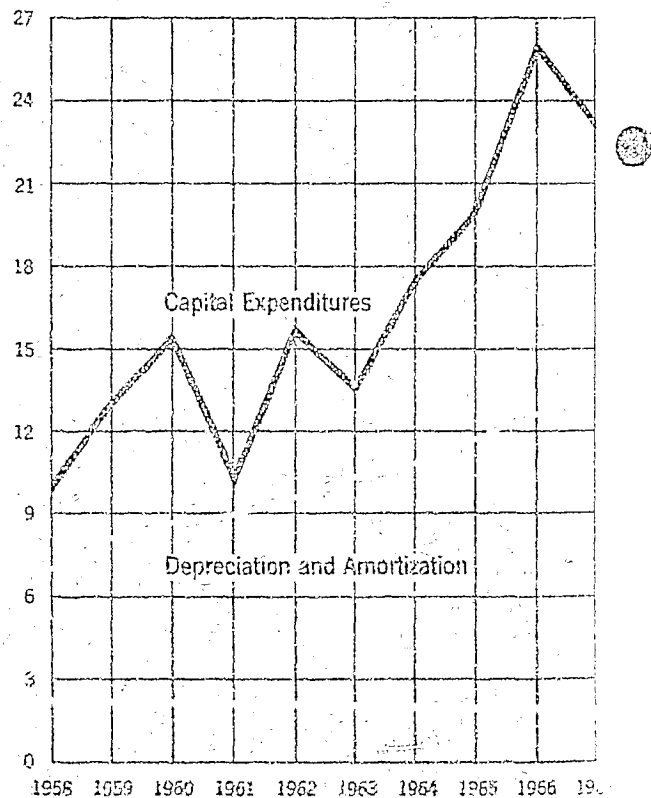
**Average Weekly Sales Per Food Store and  
THOUSANDS OF DOLLARS      Number of Food Stores**



**Stockholders' Equity and Long Term Debt**  
MILLIONS OF DOLLARS



**Capital Expenditures and Depreciation**  
MILLIONS OF DOLLARS



ments at the plants mentioned elsewhere in this report kept this figure at a high level.

**Store Program** During the year 40 new food stores were opened including 21 at Alpha Beta. This was an increase of 8 stores over the number opened the prior year. With some tightness still existing in the construction money market, projections indicate that 30 new food stores will be opened in the current year. Included in this number are 9 Alpha Beta stores, 4 of which will be in the San Francisco Bay area.

Rea & Derick, Inc. opened 9 new drug stores and closed 1. Their plans call for 6 openings this year, including their first stores in the state of New York.

During the year, 67 food stores were closed. A careful analysis of the current and future potential of these stores indicated that they could not make a contribution to the Company's progress.

At the year end, the Company had 887 stores in operation, including 52 stores operated by Rea & Derick, Inc. and 8 Hy-Lo Drug Stores operated by Alpha Beta. In addition, Alpha Beta has 7 coffee shops and 3 flower shops. During the past year, delicatessen departments were opened in a number of the food stores. More will be installed. These departments have great customer appeal.

**Facilities** In early September, Alpha Beta opened a 40,000 square foot milk processing plant on a parcel of land adjoining the La Habra Distribution Center. This plant receives and packages fluid dairy products sold at Alpha Beta supermarkets.

Milk tankers, each with a capacity of 6,000 gallons, discharge their loads in two receiving bays at the rate of six tank trucks per day. Two raw milk storage tanks, each having a capacity of 30,000 gallons, are included in the building. There are four tanks of 10,000 gallons each for handling the pasteurized milk.

Milk cartons are formed, filled and sealed automatically on the filling machines. Then, the cartons are cased automatically and stacked for shipment.

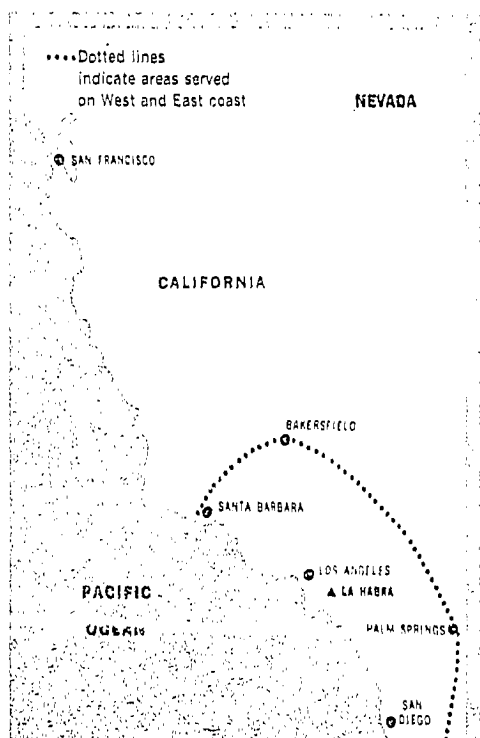
The modernization program begun at our Hurlock, Maryland fruit and vegetable cannery in February 1965, is nearing completion. The overall improvement program provides many efficiencies in the production of quality canned goods for Acme's eastern stores.

To meet the ever increasing demand for quality Lancaster Brand meat products, Acme Markets continued its modernization

and expansion program at its meat packing and processing plant in Lincoln, Nebraska. The scheduled October 1967 completion of an entirely new meat processing plant, including new selection and shipping area presently under construction, will enable Acme to ship meat directly to its stores. Acme will use refrigerated trailers—provided and owned by the various railroads involved—carried “piggy-back” to our division cities. From the unloading points, the trailers will be picked up by Acme tractors for delivery to Acme supermarkets.

The Company has leased the General Distribution Center in Philadelphia to Top Transport and Terminal Corporation, a subsidiary of Leaseway Transportation Corp. They are operating a public warehouse service at this location.

**General** Progress toward the computerization of business information has continued during the year with the installation of computers in two divisions. During the current month, three IBM 360 Systems have been installed in Philadelphia. Significant advances have been made toward a management information system. These moves are part of a plan to tie together the eastern Divisions in a data processing network for more effective decision making.



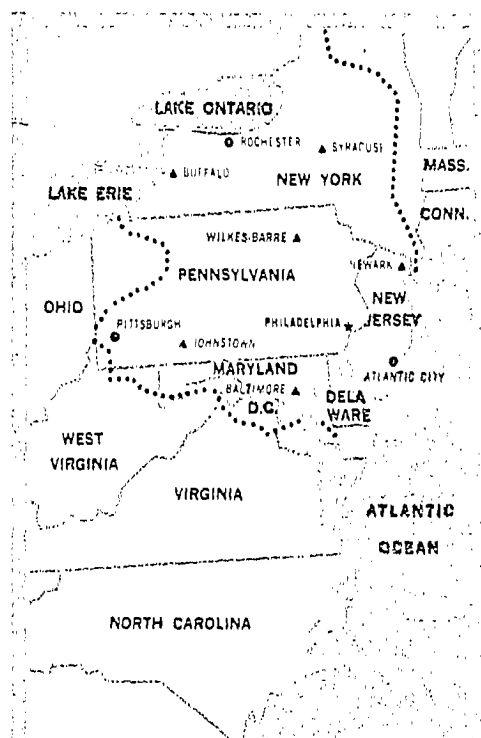
IN THE EAST--

IN THE WEST--

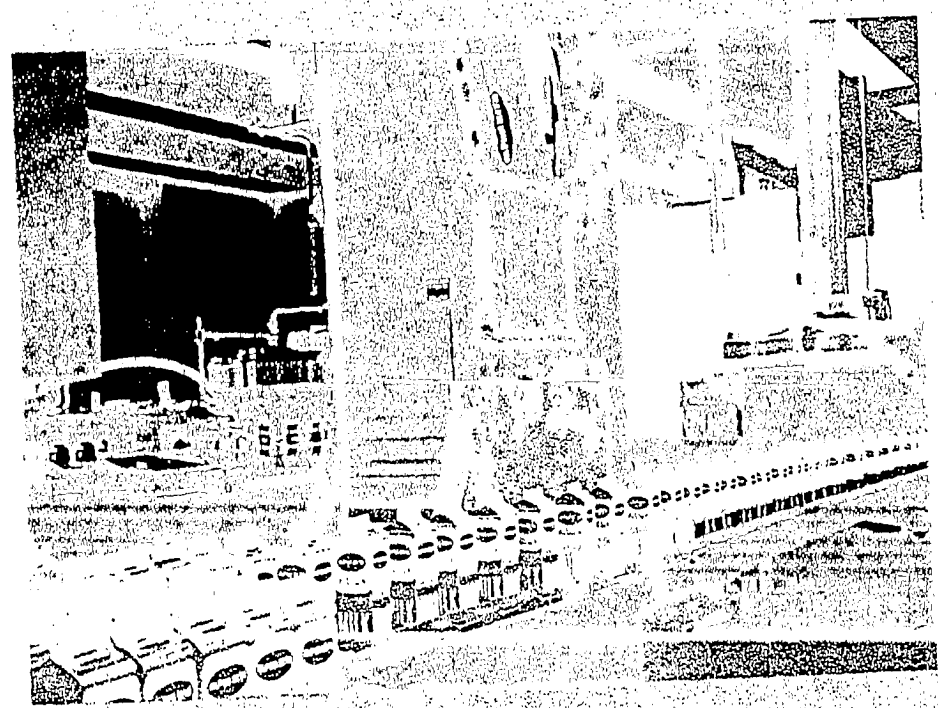
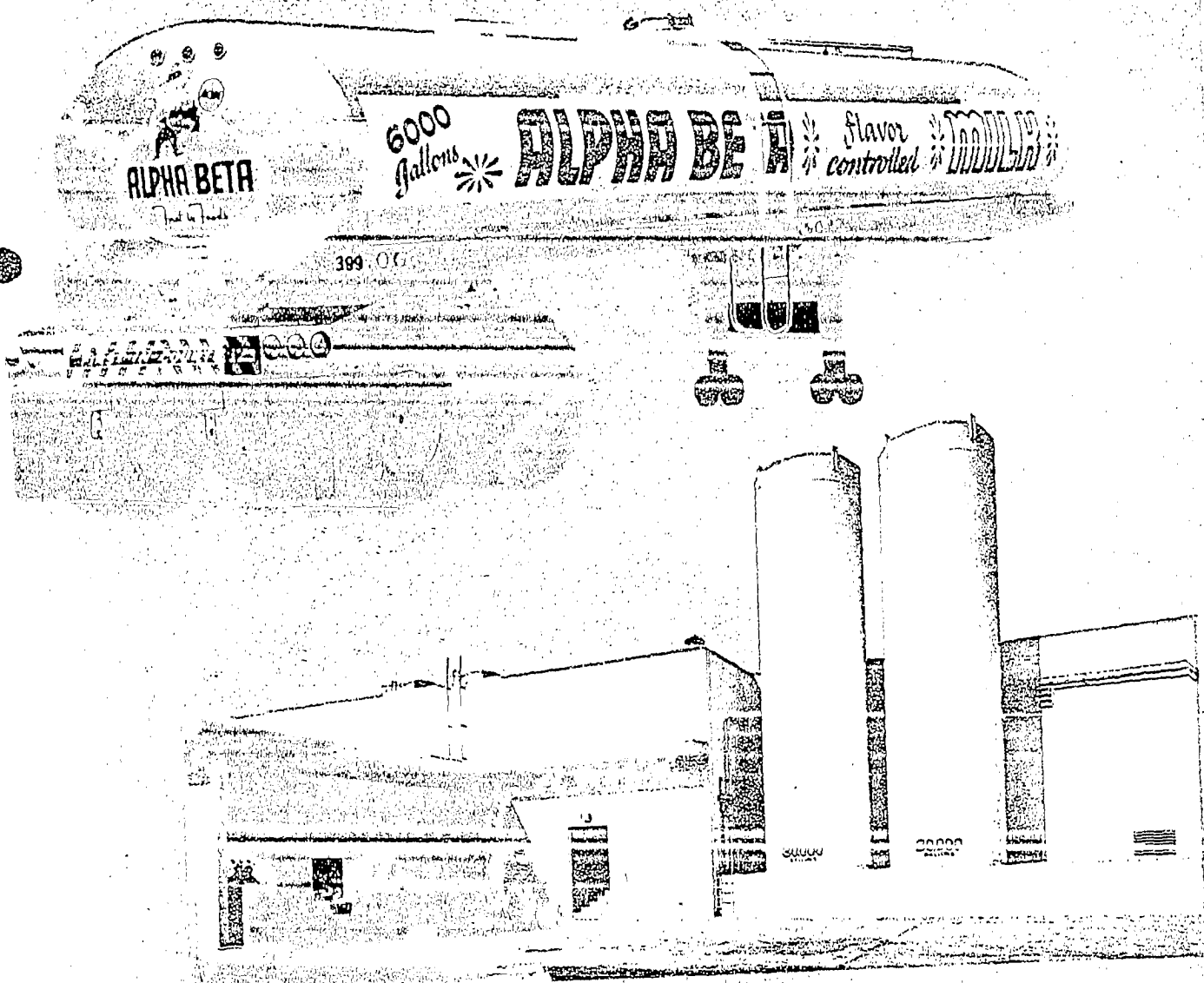
QUANTITIES

★ PHILADELPHIA, PA.  
Main Office  
▲ DIVISION OFFICES

	Number of Stores
Pennsylvania	341
New York	100
New Jersey	174
Delaware	27
Maryland	78
Virginia	13
West Virginia	5
California	149
<b>Total Stores</b>	<b>887</b>







Alpha Beta Milk Processing Plant

This plant, opened in September, 1966, incorporates the latest developments in dairy products storage and packaging.

Pictured here are one of the milk tankers, the two raw milk storage tanks, and the automatic filling and sealing line.

## Source and Disposition of Funds

Fifty-two weeks ended April 1, 1967  
with comparative figures for preceding period

	1967	1966
	(In Thousands)	
<b>SOURCE:</b>		
Net earnings .....	\$ 9,367	\$10,450
Charges against net earnings not involving the expenditure of funds:		
Depreciation and amortization .....	13,650	12,744
Deferred income taxes .....	1,022	1,122
Other .....	307	—
Total funds provided from operations .....	24,346	24,316
Advances under instalment purchase agreement .....	78	5,193
Proceeds from sales of common stock pursuant to exercise of options ...	88	98
Miscellaneous, net .....	1,195	256
Total source of funds .....	25,707	29,863
<b>DISPOSITION:</b>		
Expended for plant and equipment .....	23,389	26,129
Long-term debt falling due within one year .....	10,628	1,272
Cash dividends .....	5,564	5,348
Purchase of common treasury stock .....	1,191	984
Total disposition of funds .....	40,772	33,733
Decrease in working capital for the year .....	15,065	3,870
Working capital at beginning of year .....	72,429	76,299
Working capital at end of year .....	\$57,364	\$72,429



79.06° For farmers, processors and transportation



11.19° To or for office and store employees



8.20° For rent, advertising, heat, light, interest and other operating expenses



0.80° For federal, state and local taxes



0.75° For dividends and retained for needs of business

## Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1500 WALNUT STREET

PHILADELPHIA, PA. 19102

THE BOARD OF DIRECTORS  
ACME MARKETS, INC.:

We have examined the consolidated balance sheet of Acme Markets, Inc. and subsidiaries as of April 1, 1967 and the related statement of earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of Acme Markets, Inc. and subsidiaries at April 1, 1967 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Peat, Marwick, Mitchell & Co.*

May 11, 1967

Fifty-two weeks ended April 1, 1967 (with comparative figures for preceding period)

	FIFTY-TWO WEEKS, ENDED APRIL 1,	FIFTY-TWO WEEKS ENDED APRIL 2,
<b>CURRENT EARNINGS</b>		
Sales .....	\$1,253,747,618	1,200,749,822
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses .....	992,061,793	957,507,426
Wages, rents, advertising, administrative and other operating expenses .....	231,080,935	211,612,787
Depreciation and amortization .....	13,649,626	12,744,227
	<u>1,236,792,354</u>	<u>1,181,864,440</u>
Operating profit .....	16,955,264	18,885,382
Other income (deductions):		
Non-operating income, net .....	52,081	211,532
Interest expense .....	(540,003)	(411,770)
Earnings before income taxes .....	<u>16,467,342</u>	<u>18,685,144</u>
Federal and State income taxes, including \$1,022,000 deferred (1966—\$1,122,000) (note 2) .....	7,100,000	8,235,000
Net earnings .....	<u>\$ 9,367,342</u>	<u>10,450,144</u>
Net earnings per share of common stock ....	<u>\$3.21</u>	<u>3.55</u>
<b>EARNINGS RETAINED FOR USE IN THE BUSINESS</b>		
Balance at beginning of period .....	\$ 48,463,822	50,170,861
Net earnings for the period .....	9,367,342	10,450,144
	<u>57,831,164</u>	<u>60,621,005</u>
Deduct:		
Cash dividends—\$2 a share .....	5,563,760	5,347,883
Stock dividend—5% .....	5,868,904	6,809,300
	<u>11,432,664</u>	<u>12,157,183</u>
Balance at end of period .....	<u>\$ 46,398,500</u>	<u>48,463,822</u>

See accompanying notes to financial statements.

Consolidated

April 1, 1967 (with comparative figures for 1966)

## ASSETS

## Current assets:

	APRIL 1, 1967	APRIL 2, 1966
Cash	\$ 27,614,550	32,915,314
Receivables	8,198,363	8,021,291
Inventories, at lower of cost or market	93,953,411	96,085,532
Prepaid expenses	6,213,426	6,113,347
Store properties covered by investors' commitments to purchase	518,496	972,614
Total current assets	136,498,246	144,108,098

## Investment real estate and other assets, at cost or less

7,518,323 2,877,713

## Plant and equipment, at cost:

Land	15,610,737	14,309,474
Buildings	53,877,096	54,288,343
Machinery, equipment and fixtures	102,046,706	97,382,275
Leasehold costs and improvements	18,077,917	17,509,451
	189,612,456	183,489,543
Less accumulated depreciation and amortization	75,769,104	73,118,854
Net plant and equipment	113,843,352	110,370,689

\$257,859,921257,356,500

See accompanying notes to financial statements.

# Balance Sheet

## LIABILITIES AND STOCKHOLDERS' EQUITY

APRIL 1,  
1967

APRIL 2,  
1968

### Current liabilities:

Current instalments of long-term debt, including in 1967, \$10,375,000 with respect to final payment on 2½% and 3% notes due August 1, 1967-1969

\$ 10,628,434

10,628,434

Accounts payable

48,282,755

49,451,566

Accrued expenses

16,944,146

16,251,619

Federal and State income taxes

3,278,731

4,703,667

Total current liabilities

79,134,066

71,678,886

Long-term debt, excluding current instalments (note 1)

5,105,965

15,657,652

Deferred income taxes and investment credit (note 2)

11,823,000

10,950,000

Reserve for self insurance and unfunded retirement benefits

617,083

591,024

### Stockholders' equity:

Common stock of \$1 par value. Authorized 5,000,000 shares; issued 3,006,103 shares (1966--2,860,066 shares) (note 3)

3,006,103

2,860,066

Capital in excess of par value of common stock (note 4)

116,501,212

110,690,246

Earnings retained for use in the business, less amount capitalized through stock dividends

46,398,500

48,463,822

165,905,815

162,014,134

Less 91,898 shares common treasury stock, at cost (1966--60,221 shares)

4,726,008

3,535,196

Total stockholders' equity

161,179,807

158,478,938

\$257,859,921

257,356,500

April 1, 1967

**(1) Long-term Debt.** A summary of long-term debt at April 1, 1967 is shown below:

	TOTAL	CURRENT INSTALMENTS	LONG- TERM
Purchase agreement . . .	\$5,172,534	\$201,102	\$4,971,432
4½% note due September 1, 1970 . . .	186,865	52,332	134,533
	<u>\$5,359,399</u>	<u>\$253,434</u>	<u>\$5,105,965</u>

The purchase agreement relates to a distribution center property which is included in investment real estate and requires equal semi-annual payments through 1986 applied first to interest (2½% during initial 10-year period) and the remainder to principal. The 4½% note is payable in approximately equal annual amounts to maturity and is secured by deed of trust on certain investment real estate of a subsidiary.

**(2) Deferred Income Taxes and Investment Credit.** Depreciation charged to earnings for financial statement purposes is generally computed using the straight-line method applied to individual property items; however, for income tax purposes depreciation claimed is substantially greater as it is computed by accelerated methods applied to composite groupings of assets.

Federal income tax expense has been reduced by \$945,000 and \$900,000 for the years ended in 1967 and 1966, respectively, by reason of the investment credit provisions of the Revenue Act. Credits for 1964 and prior, which were deferred, are being amortized over the estimated lives of the related assets.

**(3) Stock Options.** Under the company's stock option plans approved by the stockholders in 1952 and 1964 there were outstanding at April 1, 1967 options granted to 68 officers and key management employees to purchase 82,058 shares common stock at prices ranging from \$31.78 to \$65.92, such prices being either 95% or 100% of market price on the respective dates of granting, adjusted for subsequent stock dividends. The options are exercisable on a cumulative basis over a period of 10 years or less and expire on or before December 19, 1973. The changes in options outstanding during the year are summarized as follows:

Under option at April 2, 1966 . . . . .	65,624 shares
Additions (deductions) in 1966-1967:	
Options granted . . . . .	18,100
Options exercised at \$29.89 to \$33.37 a share . . . . .	(2,893)
Options expired or terminated . . . . .	(2,652)
Options increased by reason of 5% stock dividend paid March 31, 1967 . . . . .	3,879
Under option at April 1, 1967 (at an average option price of \$48.87) . . . . .	<u>82,058 shares</u>

Under the 1964 option plan an additional 80,288 shares common stock were reserved for future option grants.

**(4) Capital in Excess of Par Value of Common Stock.** During the year this account was increased by the excess of:

Assigned value over par value of 143,144 shares common stock issued as a stock dividend . . . . .	\$5,725,760
Sales proceeds over par value of 2,893 shares common stock sold to officers and key management employees pursuant to exercise of stock options . . . . .	85,206
	<u>\$5,810,966</u>

**(5) Lease Commitments.** At April 1, 1967 the company and subsidiaries were lessees under 935 leases (including 55 leases for stores not yet opened). Aggregate rentals (excluding taxes, insurance and maintenance expenses where payable by the lessee) on such leases are approximately as follows for the periods indicated.

April 1, 1967—March 31, 1972 . . . . .	\$92,257,000
April 1, 1972—March 31, 1977 . . . . .	65,979,000
April 1, 1977—March 31, 1982 . . . . .	37,600,000
April 1, 1982—March 31, 1987 . . . . .	15,287,000
After March 31, 1987 . . . . .	<u>2,204,000</u>

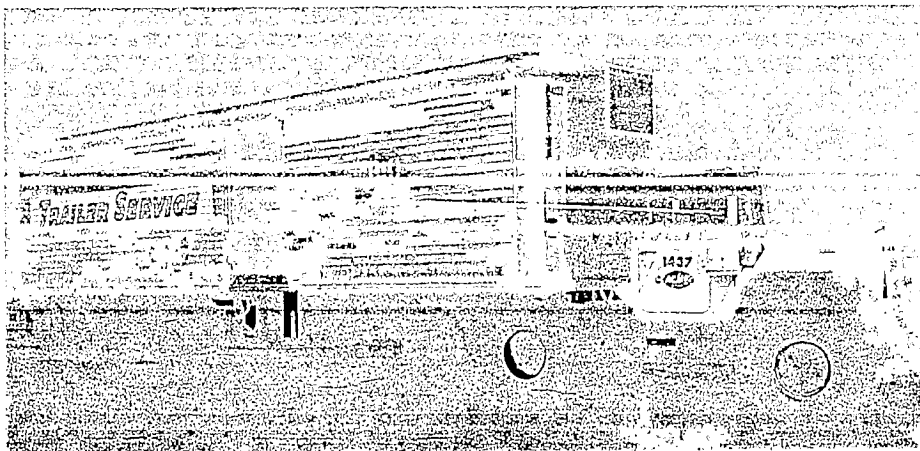
Most of the leases contain renewal options which give the company the right to extend the lease for varying additional periods, often at reduced rentals.

**(6) Pension Plans.** Substantially all employees of the company and its subsidiaries are covered by funded pension plans. Employees who are members of bargaining units are generally covered by union negotiated pension plans to which the company makes contributions based on hours worked. For other eligible employees, the company provides pension benefits through group annuity contracts with a life insurance company and the past service cost has been wholly provided for. The total charge to earnings for all plans for the fifty-two weeks ended April 1, 1967 was \$4,300,319 compared with \$3,313,023 for the previous fiscal period.

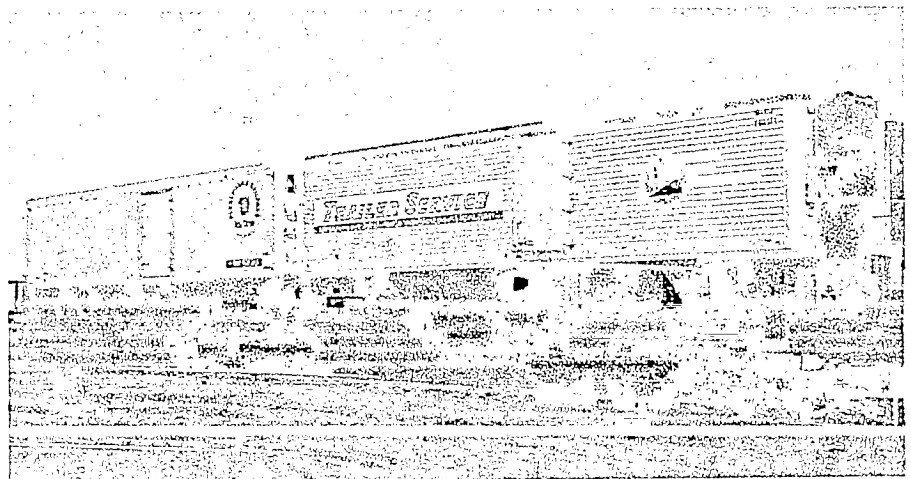
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**LANCASTER**

A display of the fine meat products in the Lancaster Brand family.



An Acme truck pulling a trailer from railroad to our stores.



Two trailers riding "Piggy back" from our Lincoln, Nebraska plant.